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COMMERCE FOR CORA DICKSON  
COMMERCE PASS TO NTIA FOR MBAKER, AHEINEMAN

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SUBJECT: BUILDING TIES AND URGING REFORM IN VIETNAM'S ICT SECTOR

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11. (U) Summary: Ambassador David Gross, U.S. Coordinator for International Communications and Information Policy traveled to Vietnam to participate in the first-ever U.S.-Vietnam Information and Communication Technologies (ICT) Commercial Dialogue on September 17-18. The Dialogue, an interagency initiative led by the International Trade Administration (ITA), aims to facilitate trade and investment in Vietnam's ICT sector at a time when U.S. companies are optimistic about Vietnam as both a manufacturing base as well as a growing market. In the Dialogue and separate meetings with Government of Vietnam (GVN) officials and private sector representatives, Ambassador Gross advocated for closer cooperation in the telecom and IT fields. The Ambassador explained President Bush's Digital Freedom Initiative (DFI) and urged continued GVN reforms to create a more transparent and competitive policy environment, focusing on issues such as technology neutrality, transforming the ownership structure of state owned firms to include private equity, and spectrum allocation. His visit and the ICT Dialogue helped to build trust and understanding between the two governments and industries, and set a clear path forward for future engagement. For its part, the GVN demonstrated an increased willingness to engage with the United States in these key sectors. End summary.

12. (U) Ambassador David Gross, U.S. Coordinator for International Communications and Information Policy traveled to Vietnam to participate in the first-ever U.S.-Vietnam Information and Communication Technologies (ICT) Commercial Dialogue on September 17-18. He joined an interagency delegation led by ITA Deputy Assistant Secretary (DAS) for Manufacturing Jamie Estrada that also included DAS Meredith Atwell Baker from the National Telecommunications and Information Administration (NTIA), Deputy Assistant U.S. Trade Representative (DAUSTR) Jonathan McHale, Regional Director Greg Walters from USTDA's Bangkok office, and Economic Growth Program Manager David Brunell from USAID's Hanoi office. In addition to the Dialogue meetings, Ambassador Gross met with officials from the Ministry of Information and Communications (MIC); officials from the Ministry of Planning and Investment; the Chairman of Vietnam Posts and Telematics Group (VNPT), the state-owned and largest telecom company in Vietnam; and representatives from U.S. ICT firms operating in Vietnam. He also spoke to a crowd of 250 students from the Hanoi University of Technology.

MIC - NEW NAME, NEW APPROACH?  
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13. (SBU) In a September 17 pre-Dialogue courtesy call, MIC Vice Minister Vu Duc Dam, using his polished English, welcomed Ambassador Gross and other members of the U.S. delegation from the Department of Commerce (DOC) and Office of the U.S. Trade Representative

(USTR). The Vice Minister thanked the delegation for coming to Vietnam and noted his personal appreciation for his relationship with Ambassador Gross, which has developed through interactions at international telecommunications events.

14. (SBU) DAS Estrada thanked VM Dam for his hospitality at a time when the Ministry is undertaking internal restructuring following the August 2 cabinet reshuffle (REFTEL A). MIC intends to complete that process "within the next two months," he said. The Vice Minister, who was joined by a substantial delegation of MIC officials, explained that MIC wants to implement substantive changes (NFI) beyond simply integrating the former Ministry of Culture and Information's broadcast and print media departments into the structure of the former Ministry of Posts and Telematics. Dam also explained that MIC will no longer own any companies, which he believes will be better for Vietnamese consumers and will enable telecom operators to keep costs down. Note: In a meeting on September 19, however, digital terrestrial television provider VTC reported to Econoff that it is still 100 percent owned by the Ministry. End note.

15. (U) Turning to the ICT Dialogue, Vice Minister Dam described the two-day event as "very important" for the development of our bilateral relationship. He expressed Vietnam's eagerness to work more closely with the U.S. Government and industry to expand ICT trade and investment opportunities. Forums like this will be critical to build trust and mutual understanding, Dam said. To better understand U.S. ICT policy making, he asked a series of questions about the structure of the U.S. Government telecommunications and information technology policy and regulatory agencies, noting Vietnam's keen interest in learning from the United States. DAS Estrada called upon members of the delegation to explain their agencies' roles. He also pointed to the Secretary of Commerce's upcoming trade mission in November as another sign of

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deepening economic ties. Ambassador Gross remarked that this first ICT Dialogue demonstrates that our countries' relationship is at a new level following Vietnam's January 2007 accession to the World Trade Organization (WTO) and the subsequent meeting between our Presidents. Gross noted USG interest in supporting Vietnam's development of open, market-oriented telecom and IT policies to best serve its people and drive continued economic growth.

16. (U) In a later meeting, Director of the MIC's Vietnam Public Utility Telecommunication Service Fund (VTF) Tran Manh Dzong repeated the Vice Minister's call for closer cooperation between our countries. The VTF is responsible for connecting Vietnam's rural communities with modern telecommunication technologies through competitively bidding projects using the state-managed universal service fund. Mr. Dzong thanked the U.S. Government for ongoing training and capacity building efforts for VTF staff, and hoped that the two sides can deepen their work together - particularly in developing fair and transparent regulatory policies. Ambassador Gross agreed, explaining that a competitive environment will help bring the best technologies to rural populations most efficiently.

REQUESTS FOR MORE U.S. ICT INVESTMENT

17. (U) Ministry of Planning and Investment (MPI) Foreign Investment Agency General Director Dr. Phan Huu Thang called for more U.S. investment in the ICT sector, particularly in telecommunications infrastructure. He highlighted ongoing work with foreign companies to improve Vietnam's investment policies and create a more competitive environment. MPI has created favorable incentives for foreign investors, Thang said, including long periods of tax exemption and low rental costs for land. One U.S. delegation member stated that further improvements in areas like human resource development, intellectual property protection, government procurement and network security would help to attract more U.S. and foreign investment.

VNPT - A REFORMING TELECOM GIANT

¶8. (U) VNPT Chairman Pham Long Tran described his organization's reform efforts to become more competitive domestically and expand its operations overseas. State-owned VNPT was a monopoly until 1995, and remains Vietnam's largest carrier with 80 percent market share in fixed line and 55 percent market share in mobile services. Tran explained that VNPT has over 90,000 employees and more than 100 subsidiaries in diverse markets such as postal and telecom services, newspapers, tourism, construction, and health care. He said that VNPT has submitted proposals to MIC to streamline and reform its operations to better compete with growing domestic and foreign competition. One of the key proposals is to separate VNPT's telecom operations from its other lines of business.

¶9. (SBU) Additionally, VNPT is seeking to "equitize" (the Vietnamese term for transforming 100 percent State-owned enterprises into joint stock or limited liability companies) some of its subsidiaries. Tran said that the entire VNPT Group will eventually be equitized and listed on international stock exchanges. He seemed frustrated when reporting delays in the equitization process for its subsidiaries such as mobile service provider MobiFone. Despite pressure to move faster, Tran blamed cumbersome and difficult to understand government regulations for the holdup. Because the GVN is currently reviewing its regulations on equitization (REFTEL B), he was unable to give a timeframe for completion. Ambassador Gross noted that VNPT's equitization plans will be important to improve its competitiveness and to access capital markets that will help VNPT expand its services at home and abroad.

¶10. (U) Chairman Tran expressed his desire to broaden cooperation with U.S. partners. VNPT is currently awaiting a frequency license from MIC to implement a WiMAX trial in Hanoi and Ho Chi Minh City in partnership with Motorola, he said. VNPT is also waiting for MIC to decide on its application for a 3-G license. It is important that the Ministry be technology neutral in their licensing and other decision making, Ambassador Gross said, which will enable VNPT, and not the Ministry, to determine which technology will best suit its consumers' needs.

#### U.S. PRIVATE SECTOR EXPERIENCES IN VIETNAM

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¶11. (SBU) Representatives from eight private sector companies and organizations described their experiences with public/private partnership efforts to expand broadband connectivity to rural areas in Vietnam through the Presidential Digital Freedom Initiative's "Last Mile Initiative." Representatives from Microsoft and other

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companies also reported on their joint work with USAID on the TOPIC 64 project, designed to increase ICT training and build human resource capacity by opening IT training centers in all 64 provinces. One private sector representative opined that Vietnam should develop a national-level strategy for expanding Next Generation Networks for its citizens and companies. Another suggested the GVN should designate an independent Senior Technology Advisor who is not aligned with a particular technology to guide Vietnam's ICT development strategy.

¶12. (SBU) The GVN should allow the private sector to lead, and allow the market to drive innovation and determine prices, Ambassador Gross stated. Fair and open competition between service providers, without heavy involvement by the government, will ensure that providers can meet their customers' needs at the lowest possible cost. Equitization will also help attract foreign investment and allow capital growth in Vietnam's ICT sector, Gross continued. He encouraged the U.S. companies present to continue to cooperate with the Vietnamese industry and governments from both countries to increase trade and investment opportunities in Vietnam.

#### VIETNAM'S BRIGHT FUTURE

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¶13. (U) Ambassador Gross delivered a presentation to a standing-room-only crowd of 250 students at the Hanoi University of Technology on the unique opportunities technology has created for the younger generation in Vietnam to improve their lives. He

remarked that it is important for them to continually encourage the government to give them the tools necessary to take full advantage of technology to create a brighter future. In the follow-up question and answer session, the students asked a range of questions, including queries on how technology is transforming other societies around the world.

#### ICT DIALOGUE - AN OPPORTUNITY TO FORGE NEW TIES

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¶14. (U) The first-ever U.S.-Vietnam ICT Commercial Dialogue brought together industry leaders and senior government officials from both sides to find opportunities to deepen and strengthen cooperation in the ICT field. The Dialogue was co-chaired by DAS Estrada for the USG and Director General Quan Duy Ngan Ha from MIC for the GVN. In their opening remarks, MIC Vice Minister Dam and U.S. Ambassador Michael Michalak both commented on the importance of this event in jointly developing our ICT sectors to the benefit of citizens of both countries. Dam noted that this first meeting will allow the two sides to become familiar with one another's priorities and determine areas where we can cooperate more closely.

¶15. (U) During the joint session between government and industry, DAS Estrada highlighted six key challenges for Vietnam's ICT development, and expressed a desire to work with Vietnam to address those areas, which include: infrastructure development; cyber-security; human resource development and training; intellectual property rights protection; e-commerce; and, government procurement. As one of the steps to ensure that advanced telecom infrastructure is deployed widely, the U.S. side urged Vietnam to establish a transparent, independent regulator. U.S. public and private sector representatives also encouraged Vietnam to continue the process of market liberalization, promulgate transparent policies and to ensure competitive safeguards, particularly now that it is a member of the WTO. Ambassador Gross noted the importance to Vietnam's ICT sector of implementing a transparent and technology neutral spectrum allocation regime.

¶16. (U) Representatives from Vietnam's ICT industry remarked on their confusion about U.S. standards and regulations. A representative from Vietnam's software industry association said his member companies "pin strong hopes on the U.S. market," and asked for training to better understand how they can work more closely with, and sell products to the United States. Vietnamese private sector representatives also commented on the lack of public understanding of IPR issues here. They asked the U.S. side to enhance ongoing joint efforts to raise public awareness of this key issue. Vietnamese firms also requested more human resource technical training, and encouraged the two governments to work together to ease visa procedures to enable more Vietnamese private sector officials to travel to the United States. (Note: U.S. companies, for their part, offered to devote resources to help Vietnamese firms cope with these issues. For example, it was proposed to establish a public/private partnership on human resources, and to sponsor a series of capacity-building seminars on topics that may help them understand the U.S. market, such as IPR regulations. End note.)

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¶17. (SBU) Vice Minister Dam and other GVN officials expressed appreciation for the comments and the frank exchange. Dam stressed that Vietnam's legal framework is already consistent with its WTO obligations, however, the GVN remains committed to further reforms. Vietnam is currently drafting three new laws on Telecom, Frequency Allocation and Posts, and would welcome engagement with the U.S. side once the drafts are finalized. On the issues of government procurement and technology neutrality, the Vice Minister pointed to the Vietnam Forum for IT Promotion, a regular forum which MIC hosts and in which U.S. industry participates, as evidence that the GVN is open to working with foreign companies to address these areas. Dam stated that the United States and Vietnam seem to have different ideas about what constitutes an independent regulator. The MIC serves as Vietnam's regulator, and has been independent from operators since a 2002 Government Ordinance, he explained. The Ministry is now working to create additional separation between

policy-makers and regulatory officials, but will likely not have an entirely separate regulatory body like the United States.

¶18. (U) In closing, Vice Minister Dam commented that he and the Ministry remain open and willing to meet with the U.S. Government and industry to address issues in the ICT sector. The two sides agreed to remain in contact to discuss concrete next steps, including possible workshops on issues such as cyber-security, WTO implementation, spectrum allocation, and electronic commerce. Those discussions will help to develop the agenda for future meetings of the U.S.-Vietnam ICT Commercial Dialogue. Ambassador Gross commented that the inaugural meeting was an important step forward, and provided a "clear vision for future collaboration." VM Dam agreed, saying that the meeting resulted in a better understanding of the two sides' views, and the MIC looks forward to future exchanges.

¶19. (SBU) Comment: The initial meeting of the U.S.-Vietnam ICT Commercial Dialogue and Ambassador Gross' visit contributed significantly to a growing trust and familiarity between the two governments and industries in the fields of telecommunications and IT. The GVN demonstrated an increased willingness to engage with the United States in this important sector. While they may not always agree with or accept U.S. views, the door for dialogue is more open now than ever before. The U.S.-Vietnam ICT Commercial Dialogue provides a solid foundation and a clear path forward for future cooperation. End Comment.

¶20. (U) This cable was cleared by Ambassador David Gross and coordinated with Department of Commerce's ITA and NTIA.

MICHALAK